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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 04950-85
3 October 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: [redacted] 25X1
Acting National Intelligence Officer for Economics

SUBJECT: US Treasury Initiative on LDC Debt

1. In reponse to your request, Secretary Baker arranged for me to meet with Jim Conrow, Treasury Deputy Assistant Secretary for Developing Nations, to receive a briefing on the debt initiative to be presented by the United States at the IMF/IBRD annual meetings next week in South Korea. David Low, [redacted] also attended the session. 25X1

2. The key elements of the package include:

- A commitment by the industrial countries to keep import markets open, spur economic growth, and work to resolve internal problems such as the US budget deficit.

- A pledge by Western banks to provide $15-20 billion in "new" money over the next three years. (Baker and Volcker have already discussed this with some major lenders.)

- An increased role for the IBRD relative to the IMF in lending and monitoring of LDC performance, including greater emphasis on moves toward private sector reform and less stringent, more realistic "macro" targets by the IMF.

- A new IMF facility using about $3 billion in funds being repaid to the IMF from gold sales in the mid-1970s to be redirected to low income countries, mainly in Africa.

- Greater authority for the IADB to increase lending overall and to channel a greater percentage of lending to the "group A" (large) countries.

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Overall, the new program will be billed as "pro growth" for the LDCs leading to improvements in future performance.

3. In return for the promise of new funds, the LDCs will be asked to take new, as yet unspecified, measures on economic reform and private sector development. Presumably Treasury will work jointly with the IMF and IBRD to fashion the new programs.

4. Treasury officials see Mexico as the first test case for the new system. Mexico City will need new external funds within about six months, is currently substantially out of compliance with the IMF, and has virtually stopped its efforts at economic reform.

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